

## Message Text

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ACTION INR-07

INFO OCT-01 EA-06 ISO-00 ACDA-05 CIAE-00 DODE-00 PM-03

L-02 NSAE-00 NASA-01 NSC-05 RSC-01 OES-03 OC-05 CCO-00

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R 070139Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0442

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E.O. 11652: NA

TAGS: PINR

SUBJECT: FOREIGN SMALL EARTH-STATION TECHNOLOGY ASSESSMENT

REF: A) STATE 282811 B) STATE 004864

SUMMARY. GOP HAS BEEN PLANNING SINCE 1970 DOMESTIC SATELLITE SYSTEM WITH UP TO 15 TERMINALS AT COST RANGING FROM \$35 TO \$50 MILLION. PROGRAM BEING ADMINISTERED BY PHILIPPINE OVERSEAS TELECOMMUNICATIONS CORP WHICH CURRENTLY

MANAGES PHILCOMSAT. THERE ARE INDICATIONS THAT GOP TENDS TO FAVOR USE OF INDOMSAT. SIX U.S. FIRMS AND NIPPON ELECTRIC ARE MOST ACTIVE IN FOLLOWING PROGRAM. FURTHER INFORMATION GIVEN BELOW IN ORDER REQUESTED IN REF. A. END SUMMARY.

1. REQUIREMENT: GOP IS ACTIVELY PLANNING A NATIONWIDE DOMESTIC SATELLITE SYSTEM TO BE COMPOSED OF A CENTRAL CONTROL/MASTER STATION COLOCATED AT TANAY, RIZAL, WITH THE PACIFIC AND INDIAN OCEAN INTELSAT EARTH STATIONS OF PHILCOMSAT, AND AN EVENTUAL TOTAL OF UP TO 15 DOMESTIC SATELLITE SYSTEM TERMINALS LOCATED AT WIDELY DISPERSED POPULATION CENTERS AND STRATEGIC LOCATIONS THROUGHOUT THE COUNTRY. THIS PROGRAM, WHICH HAS BEEN IN THE PLANNING STAGES SINCE 1970, IS CURRENTLY BEING ADMINISTERED

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BY PHILIPPINE OVERSEAS TELECOMMUNICATIONS CORP., (POTC),

A COMMERCIAL FIRM WHICH CURRENTLY MANAGES PHILCOMSAT. PROGRAM HAS THE SUPPORT OF SUCH GOVERNMENT AGENCIES AS THE BOARD OF COMMUNICATIONS AND THE NATIONAL ECONOMIC DEVELOPMENT AUTHORITY (NEDA). AS CURRENTLY ENVISIONED, PROGRAM WILL BE MANAGED AND OPERATED BY A PROPOSED NEW FIRM, THE DOMESTIC SATELLITE (PHILIPPINES) CORPORATION, EXPECTED TO BE INCORPORATED BY 1976 WHICH WILL INITIALLY BE OWNED BY A CONSORTIUM COMPOSED OF POTC, PHILCOMSAT, PLDT, KANLAON BROADCASTING CORP., AND THE REPUBLIC TELEPHONE COMPANY. THE EMBASSY REPORTED THE RESULTS OF U.S.- GOP CONSULTATIONS ON SATELLITE AND EARTH STATION SYSTEMS IN 1972. WHILE EMBASSY 1972 HAVE BEEN RETIRED, A RECORD OF THESE CONSULTATIONS SHOULD BE AVAILABLE FROM THE DEPARTMENT'S FILES OR ARCHIVES AVAILABLE IN THE UNITED STATES.

2. PROGRAM FOR PHILIPPINE ENVISIONS THE USE OF SMALL ANTENNAS (NOMINAL 10 METERS), THERMO-ELECTRIC COOLED PARAMETRIC AMPLIFIERS, VICE, CYROGENIC COOLED PARAMETRIC AMPLIFIERS AND THE USE OF DEMAND ASSIGNED SINGLE CARRIER PER CHANNEL (DAMA SCPC) SYSTEMS THE CENTER CONTROL/ MASTER STATION IS TO HAVE DEMAND ASSIGNMENT PROCESSORS AND THE CAPABILITY FOR REDUNDANT UP AND DOWN LINKS PROVIDING MULTI-CHANNEL VOICE AND TELEVISION PROGRAM TRANSMISSION AND RECEPTION. REMOTE STATIONS AT MAJOR POPULATION CENTERS WILL BE FIXED FACILITIES UTILIZING NOMINAL 10 METER ANTENNAS, UNCOOLED PARAMETRIC AMPLIFIERS, AND WITH NON-REDUNDANT UP AND DOWN LINKS, EQUIPPED WITH SCPC VOICE CHANNEL PROCESSING CAPABILITIES AND PROVIDING TWO WAY VOICE MESSAGE HANDLING AND TELEVISION CAPABILITY. OTHER REMOTE EARTH STATIONS AT LESSER POPULATION CENTERS WILL BE OF A TRANSPORTABLE CONFIGURATION WITH REDUCED SCPC MESSAGE CHANNEL CAPABILITIES AND TELEVISION RECEIVE AND TRANSMIT CAPABILITIES. PROGRAM ALSO ENVISIONS A LIMITED NUMBER OF TELEVISION RECEIVE ONLY REMOTE EARTH STATIONS FOR CERTAIN STRATEGIC LOCATIONS.

3. CURRENT PLANNING CALLS FOR ACQUISITION AND INSTALLATION OF CENTRAL CONTROL/MASTER STATION, THREE FIXED FULL CAPABILITY REMOTE STATIONS, TWO TELEVISION RECEIVE ONLY REMOTE STATIONS, AND ONE TRANSPORTABLE REMOTE STATION PRIOR TO AUGUST 1976. CONTINUED PHASED ACQUISITION OF ADDITIONAL LIMITED OFFICIAL USE

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REMOTE STATIONS IN ENSUING YEARS IS TENTATIVELY PLANNED UNTIL THE FULL PLANNED REQUIREMENT OF UP TO 15 STATIONS IS MET.

4. IN AUGUST 1974, POTC ISSUED A BRIEF TENDER FOR A CENTRAL BASE CONTROL STATION, THREE FIXED REMOTE STATIONS WITH FULL CAPABILITY, TWO TELEVISION RECEIVE ONLY REMOTE STATIONS, AND ONE TRANSPORTABLE REMOTE STATION. A SEPARATE PART OF THIS TENDER CALLED FOR A&E PROPOSALS

TO ASSIST POTC IN FINALIZATION PROCUREMENT AND SYSTEM  
IMPLEMENTATION.  
FOLLOWING FIRMS ARE UNDERSTOOD TO HAVE RECEIVED THIS TENDER.

GENERAL TELEPHONE & ELECTRONICS (GT&E)  
ITT  
GENERAL ELECTRIC  
NIPPON ELECTRIC CO.  
PAGE COMMUNICATIONS ENGINEERS, INC.  
HUGHES  
FAIRCHILD

5. FOUR POTENTIAL COMMUNICATIONS SATELLITES TO SUPPORT  
THE PHILIPPINE DOMESTIC SATELLITE SYSTEM HAVE BEEN UNDER  
CONSIDERATION AS HAVE TWO METHODS OF USE OF THE SELECTED  
SATELLITE. A PHILIPPINE DEDICATED SATELLITE, THE INDIAN  
OCEAN INTELSAT IV, THE PLANNED INDONESIAN INDOMSAT SATELLITE,  
AND A POTENTIAL FUTURE ASEAN DEDICATED SATELLITE HAVE BEEN  
CONSIDERED. ALSO THE CONSIDERATION OF LEASE OF A FULL  
TIME TRANSPONDER IN THE SELECTED SATELLITE VERSUS DEMAND  
ASSIGNED SCPC HAS BEEN CONSIDERED. CURRENT PRIMARY  
PLANNING IS FOR USE OF THE PLANNED INDOMSAT HUGHES HS-333  
SATELLITE, SUPPOSEDLY SCHEDULED TO BE OPERATIONAL IN  
AUGUST 1976, BECAUSE OF HIGHER SATELLITE TRANSPONDER  
POWER AVAILABLE, OVER THAT OF THE INDIAN OCEAN INTELSAT IV,  
THEREBY REDUCING GROUND STATION POWER REQUIREMENTS AND  
PENALTIES ASSOCIATED WITH THE USE OF INTELSAT IV WITH  
LOW POWERED, SMALL ANTENNA EARTH STATIONS. SECONDLY,  
DEMAND ASSIGNED SINGLE CHANNEL PER CARRIER USEAGE HAS  
BEEN SELECTED VICE FULL TRANSPONDER LEASE. THE POSSIB-  
ILITY OF UTILIZING THE INDIAN OCEAN INTELSAT IV IN  
THE EVENT THE INDOMSAT PROGRAM FALLS BEHIND SCHEDULE  
IS STILL A STRONG CONSIDERATION DESPITE THE PENALTY COSTS  
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INVOLVED.

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ACTION INR-07

INFO OCT-01 ISO-00 EA-06 ACDA-05 CIAE-00 DODE-00 PM-03

L-02 NSAE-00 NASA-01 NSC-05 RSC-01 OES-03 OC-05 CCO-00

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6. THERE ARE NO PROGRAMS OR POLICIES FAVORING PHILIPPINE SUPPLIERS FOR MAJOR HARDWARE ITEMS SINCE THEY ARE NOT MANUFACTURED IN THE PHILIPPINES. THERE IS A PHILIPPINE FLAG LAW, WHICH IS OCCASIONALLY IMPLEMENTED, WHICH COULD GIVE A LOCALLY REGISTERED FIRM WITH SOLE REPRESENTATIVE AGREEMENTS WITH A FOREIGN HARDWARE SUPPLIER, UP TO A 15 PERCENT ADVANTAGE OVER A NON-REGISTERED FOREIGN FIRM. THIS LAW IS NOT ALWAYS IMPLEMENTED AND THEN USUALLY ONLY IN INSTANCES OF GOVERNMENT SPONSORED COMPETITIVE PROCUREMENT.

7. THE IMPORTANCE AND WEIGHING OF THE FOLLOWING FACTORS ON PHILIPPINE ACQUISITION OF THE PHILIPPINE DOMSAT SYSTEM SMALL EARTH STATION HARDWARE ARE ESTIMATED AS FOLLOWS:

A. FINACIAL ARRANGEMENTS: THIS ELEMENT WOULD APPEAR TO HAVE PROBABLY THE MOST WEIGHT IN SELECTION OF COUNTRY OF SOURCE. SINCE ALMOST TOTAL FINANCING WILL BE REQUIRED FOR FOREIGN HARDWARE PROCUREMENT, ASSOCIATED FINANCING COSTS WILL HAVE A SIGNIFICANT BEARING. THOSE COUNTRIES, SUCH AS JAPAN, WHO ARE ABLE TO OFFER SOFT LOANS, WILL HAVE CONSIDERABLE ADVANTAGE IF THEY DO SO AND COULD VERY WELL RESULT IN THE SELECTION OF NEC AS THE MAJOR SUPPLIER. IF SOFT LOANS ARE NOT AVAILABLE, SUCH FINANCIALLY LIMITED OFFICIAL USE

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ADVANTAGEOUS SOURCE AS PARTIAL EXIM BANK FINANCING WOULD CAUSE SELECTION OF A U.S. SUPPLIER. FINALLY, THE BEST LONG TERM COMMERCIAL BANK FINANCING WHICH COULD BE ARRANGED BY A PARTICULAR SUPPLIER, WOULD WEIGH HEAVILY TOWARDS THE SELECTION OF THIS SUPPLIER.

B. POLITICAL CONSIDERATIONS: THERE ARE CERTAIN

POLITICAL CONSIDERATIONS WHICH COULD CONCEIVABLY  
ARISE BUT THERE ARE NOT EXPECTED TO HAVE A SIGNIFICANT BEARING  
ON THE COUNTRY OF SOURCE SELECTION.  
THESE POTENTIAL CONSIDERATIONS AND THEIR RANKING IN ORDER OF  
WIGHT, ARE ESTIMATED AS FOLLOWS:

1) SINCE THE SELECTION OF THE INDOMSAT  
SATELLITE APPEARS ALMOST CONCLUSIVE,  
JOINT PHILIPPINE-INDONESIAN NEGOTIATIONS  
FOR USE OF THIS SATELLITE BY THE PHILIPPINES  
WOULD LIKELY RESULT IN COMPANIES FAVORED BY  
INDONESIANS (ITT?) HAVING AN EDGE.

2) THE PROGRESSIVE WRAP-UP OF THE  
JAPANESE REPARATIONS PROGRAM AND THE  
STATUS OF THE PHILIPPINES-JAPANESE TRADE  
AGREEMENTN COULD RESULT IN SELECTION OF  
NEC AS A SUPPLIER.

3) THIS PROGRAM IS NOT AN ELEMENT IN THE  
FORTHCOMING BILATERAL US/PHILIPPINE TRADE TALKS,  
BUT THE CLIMATE FOLLOWING THE END OF  
LAUREL-LANGLEY MAY AFFECT THE GENERAL  
POSTURE OF THE GOP. ON OTHER HAND, U.S.  
COMPANIES IN THIS FIELD ARE WELL  
ESTABLISHED IN PHILIPPINES AND LOCAL GTE  
JOINT VENTURES ARE TIED UP WITH INFLUENTIAL  
PHILIPPINE COMPANIES, I.E., GUEVARRA GROUP  
AND PHILIPPINE LONG DISTANCE TELEPHONE.  
IN ANY CASE, FAVORABLE FINANCING TERMS  
AND ASTUTE SALESMANSHIP ATTUNED TO LOCAL  
CONDITIONS WOULD LIKELY BE DECISIVE FACTORS.

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C. TOTAL COST OF THE SYSTEM: THE TOTAL COST  
OF THE SYSTEM IS DEFINITELY A SIGNIFICANT ITEM  
IN SELECTION OF THE SUPPLIER BUT IS EXPECTED TO  
BE WEIGHED AND ADJUSTED BASED ON TECHNICAL CAPA-  
BILITY, EFFICIENCY AND FINANCING TERMS. ESTIMATES  
FOR THETOTAL SYSTEM COST CURRENTLY RANGE FROM  
\$35 MILLION TO \$50 MILLION.

D. GUARANTEE OF AND PAST REPUTATION FOR POST  
PURCHASE SERVICE ANDMAINTENANCE: THE GUARANTEE  
OFFERED WILL PROBABLY HAVE MORE BEARING THAN PAST  
REPUTATION FOR FOLLOW-ON SUPPORT BY THE SUPPLIER.  
THIS ESTIMATE IS BASED ON THE KNOWN, LIMITED EXPERIENCE  
OF POTC WITH EARTH STATION SUPPLIERS. THEY HAVE HAD  
PAST EXPERIENCE WITH SOME OF THE OFFERING FIRMS,

PRINCIPALLY, PAGE COMMUNICATIONS ENGINEERS, INC. AND GTE. THERE ARE NO KNOWN INSTANCES OF DISSATISFACTION WITH EITHER FIRM.

E. NET COST OF SYSTEM INBALANCE OF TRADE  
TERMS: PURCHASE WOULD REPRESENT 4.8 TO 6.9 PERCENT OF TOTAL PHILIPPINE IMPORTS FROM U.S. IN 1974, OR 1.1 TO 1.6 PERCENT OF TOTAL IMPORTS.

F. DELIVERY SCHEDULE: THIS ITEM WILL HAVE CONSIDERABLE WEIGHT IN ADVANTAGE TO THOSE POTENTIAL SUPPLIERS WHO CAN GUARANTEE DELIVERY AND INSTALLATION PRIOR TO ACTIVATION OF INDOMSAT IN AUGUST 1976, VERSUS THOSE WITH A LATER DELIVERY DATE CAPABILITY.

G. TECHNICAL PERFORMANCE OF THE SYSTEM: SINCE, IN ALMOST ALL INSTANCES, TECHNICAL PERFORMANCE, AS FAR AS SUPPLIER SELECTION IS CONCERNED, WILL BE BASED ON SUPPLIER CERTIFICATION AND CREDENTIALS OF OTHER SIMILAR SYSTEMS SUPPLIED IN OTHER LOCATIONS, THIS ITEM WILL HAVE LITTLE ACTUAL WEIGHT, EXCEPT IN THOSE INSTANCES WHERE THE POTENTIAL SUPPLIER HAS NO BACKGROUND OF PREVIOUS SYSTEMS EXPERIENCE.

H. PROVEN/DEMONSTRATED RELIABILITY AND MAINTAINABLE LIMITED OFFICIAL USE

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BILITY OF SUPPLIERS EQUIPMENT: ALMOST ALL POTENTIAL SUPPLIERS, PARTICULARLY U.S. FIRMS CONCERNED, CAN DEMONSTRATE PROVEN RELIABILITY OF THEIR EQUIPMENT. THERE MAY BE MINOR ADVANTAGES FOR CERTAIN SUPPLIERS OVER OTHERS RE THESE CRITERIA DUE TO ISOLATED INSTANCES OF MAINTENANCE OR RELIABILITY PROBLEMS, BUT, FOR THE MOST PART, ALL ARE OFFERING RELIABLE/MAINTAINABLE EQUIPMENT.

DECONTROL ON RECEIPT.  
SULLIVAN

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 07 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
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